



John E. Benedict

Vice President
Federal Regulatory Affairs & Regulatory Counsel
1099 New York Avenue NW
Suite 250
Washington, DC 20001
202.429.3114

Via E-MAIL and ECFS

EX PARTE

December 5, 2013

Julie Veach (Julie.Veach@fcc.gov)
Chief - Wireline Competition Bureau
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: WC Docket No. 12-61, *Petition of USTelecom for Forbearance Under 47 U.S.C. § 160(c) from Enforcement of Certain Legacy Telecommunications Regulations*
WC Docket No. 07-204, *Petition of Qwest Corporation for Forbearance from Enforcement of the Commission's ARMIS and 492A Reporting Requirements Under 47 U.S.C. § 160(c); Petition of the Embarq Local Operating Companies for Forbearance Under 47 U.S.C. § 160(c) from Enforcement of Certain of ARMIS Reporting Requirements, et al.*
WC Docket 07-21, *Petition of AT&T Inc. for Forbearance Under 47 U.S.C. § 160(c) from Enforcement of Certain of the Commission's Cost Assignment Rules*

Dear Ms. Veach:

As required by the recent *USTelecom Forbearance Order*,¹ I attach CenturyLink's Cost Assignment Forbearance Compliance Plan for Its Independent LEC Operations. If you have

¹ *Petition of USTelecom for Forbearance Under 47 U.S.C. § 160(c) from Enforcement of Certain Legacy Telecommunications Regulations, et al.*, WC Docket No. 12-61, *et al.*, Memorandum Opinion and Order and Report and Order in WC Docket No. 10-132 and Further Notice of Proposed Rulemaking and Second Further Notice of Proposed Rulemaking, 28 FCC Rcd 7627 (2013) (*USTelecom Forbearance Order*), *appeal pending sub nom. Verizon and AT&T v. FCC*, No. 13-1220 (pet. for rev. filed July 15, 2013).

any questions, please call me.

Respectfully,

/s/ John E. Benedict

cc (via electronic mail):

Lisa Gelb (lisa.gelb@fcc.gov)

Bill Dever (William.dever@fcc.gov)

Jenny Prime (jennifer.prime@fcc.gov)

Marvin Sacks (marvin.sacks@fcc.gov)

Deena Shetler (deena.shetler@fcc.gov)

Betsy McIntyre (elizabeth.mcintyre@fcc.gov)

Kalpak Gude (kalpak.gude@fcc.gov)

**CENTURYLINK COST ASSIGNMENT FORBEARANCE COMPLIANCE PLAN
FOR ITS INDEPENDENT LEC OPERATIONS**

TABLE OF CONTENTS

	Page
I. INTRODUCTION AND SUMMARY	1
II. PLAN FOR MAINTENANCE OF ACCOUNTING PROCEDURES AND DATA FOR FUTURE COMMISSION USE UPON REQUEST	3
III. ANNUAL CERTIFICATION AND COMPLIANCE WITH SECTION 254(k).....	5
IV. FORBEARANCE TRANSITION	7
V. CONCLUSION.....	8

CENTURYLINK COST ASSIGNMENT FORBEARANCE COMPLIANCE PLAN FOR ITS INDEPENDENT LEC OPERATIONS

I. INTRODUCTION AND SUMMARY

CenturyLink (CenturyLink) files this Cost Assignment Forbearance Compliance Plan (“Compliance Plan” or “Plan”) on behalf of its independent incumbent local exchange carrier (“ILEC”) affiliates (hereafter referred to jointly as CenturyLink) in order to take advantage of the relief granted to CenturyLink by the Commission in its *USTelecom Forbearance Order*.¹ This plan is applicable to all of the local exchange carrier affiliates of CenturyLink, Inc.² with the exception of Qwest Corporation³ and its wholly owned affiliate, The El Paso County Telephone Company. Qwest Corporation, on behalf of itself and its affiliates,⁴ previously filed a compliance plan in connection with similar forbearance relief granted in the Commission’s 2008 *ARMIS Forbearance Order*⁵ and 2008 *AT&T Cost Assignment Forbearance Order*.⁶ That plan was approved by the Commission on December 31, 2008.⁷

¹ *Petition of USTelecom for Forbearance Under 47 U.S.C. § 160(c) from Enforcement of Certain Legacy Telecommunications Regulations, et al.*, WC Docket No. 12-61, *et al.*, Memorandum Opinion and Order and Report and Order in WC Docket No. 10-132 and Further Notice of Proposed Rulemaking and Second Further Notice of Proposed Rulemaking, 28 FCC Rcd 7627 (2013) (*USTelecom Forbearance Order*), *appeal pending sub nom. Verizon and AT&T v. FCC*, No. 13-1220 (pet. for rev. filed July 15, 2013).

² As the cost assignment relief in the *USTelecom Forbearance Order* is limited to price cap carriers, this plan is applicable only to CenturyLink’s price cap ILECs. CenturyLink is in the process of converting its few remaining rate-of-return (average schedule) ILECs to price caps and, once that conversion is approved, this plan would apply to them as well.

³ CenturyLink, Inc. acquired Qwest Corporation in 2011 in a transaction in which Qwest Communications International Inc. (“QCI”), which indirectly wholly owns Qwest Corporation, became a wholly owned subsidiary of CenturyLink, Inc.

⁴ At the time, in addition to The El Paso County Telephone Company, Malheur Home Telephone Company was an affiliate of QC. But, Malheur Home Telephone Company subsequently (in 2009) merged into Qwest Corporation.

⁵ See Qwest Corporation’s Compliance Plan, WC Docket Nos. 07-204 and 07-21, filed Sept. 24, 2008. See also *Petition of AT&T Inc. for Forbearance Under 47 U.S.C. § 160(c) From Enforcement of Certain of the Commission’s ARMIS Reporting Requirements; Petition*

This Compliance Plan describes how CenturyLink will comply with continuing accounting requirements under the Act and the Commission's rules and satisfies the conditions contained in the *USTelecom Forbearance Order*.⁸ CenturyLink requests that the Bureau approve this Compliance Plan so that CenturyLink can avail itself of relief from the cost assignment rules at the earliest possible date. CenturyLink's plan closely resembles both Qwest Corporation's previously-filed compliance plan and compliance plans that Verizon and AT&T previously submitted to the Bureau and which were also approved on December 31, 2008.⁹

CenturyLink's Plan includes the following components:¹⁰

of Qwest Corporation for Forbearance from Enforcement of the Commission's ARMIS and 492A Reporting Requirements Pursuant to 47 U.S.C. § 160(c), Memorandum Opinion and Order and Notice of Proposed Rulemaking, WC Docket Nos. 07-139, 07-204, FCC 08-203, 23 FCC Rcd 13647 (rel. Sept. 6, 2008) ("*ARMIS Forbearance Order*"), *recons. dismissed and denied*, 28 FCC Rcd 7627 (2013) (WC Docket Nos. 08-190, 07-139, 07-204, 07-273 and 07-21) and *appeal dismissed sub nom. NASUCA v. FCC*, No. 08-1353 (D.C. Cir. Aug. 23, 2013).

⁶ *Petition of AT&T Inc. For Forbearance Under 47 U.S.C. § 160 From Enforcement of Certain of the Commission's Cost Assignment Rules*, Memorandum Opinion and Order, FCC 08-120, 23 FCC Rcd 7302 (rel. Apr. 24, 2008) ("*AT&T Cost Assignment Forbearance Order*"), *recon. denied*, 28 FCC Rcd 7627 (2013) (WC Docket Nos. 07-21 and 05-342) and *appeal dismissed sub nom. NASUCA v. FCC*, No. 08-1226 (D.C. Cir. Aug. 23, 2013).

⁷ Wireline Competition Bureau Approves Compliance Plans, Public Notice, WC Docket Nos. 07-21, 07-204 and 07-273, 23 FCC Rcd 18417 (rel. Dec. 31, 2008).

⁸ *USTelecom Forbearance Order*, 28 FCC Rcd at 7651-53 ¶¶ 42-47.

⁹ See AT&T Compliance Plan, WC Docket Nos. 07-21 and 05-342, filed July 24, 2008 ("*AT&T Compliance Plan*"); Cost Assignment Forbearance Compliance Plan of Verizon, WC Docket Nos. 07-273 and 07-21, filed Sept. 19, 2008 ("*Verizon Compliance Plan*"). See also n. 5, *supra*.

¹⁰ CenturyLink has not yet determined whether it will seek to take advantage of the additional forbearance relief granted to CenturyLink and other price cap carriers in the *USTelecom Forbearance Order* – forbearance from the Commission's Rule 64.1903 separate affiliate requirement. *USTelecom Forbearance Order*, 28 FCC Rcd at 7691 ¶ 142. Should it decide to do so, CenturyLink will file a separate compliance plan addressing the conditions to that relief, including the requirement that it describe the imputation methodology CenturyLink will use to satisfy the requirements described in section 272(e)(3) of the Act.

- A description of how CenturyLink will maintain its accounting procedures and accounting data so that it will be able to provide information in a timely manner, if requested by the Commission, to comply with the conditions of the *USTelecom Forbearance Order*.
- A description of CenturyLink's procedures to ensure compliance with section 254(k) of the Act, together with a certification executed by a CenturyLink executive, attesting that CenturyLink will comply with the requirements of section 254(k) in the absence of the Commission's cost assignment rules and to provide to the Commission information necessary to establish such compliance upon receipt of an appropriate request.¹¹
CenturyLink will also designate a single point of contact for section 254(k) compliance.
- A description of the transition process that CenturyLink will undertake to implement the procedures in its Compliance Plan.

II. PLAN FOR MAINTENANCE OF ACCOUNTING PROCEDURES AND DATA FOR FUTURE COMMISSION USE UPON REQUEST

The Commission, in the *USTelecom Forbearance Order*, conditions its cost assignment forbearance upon a requirement that price cap carriers "continue complying with the Part 32 Uniform System of Accounts rules ... and ... provide Part 32 data on request by the Commission for use in rulemakings, adjudications, or for other regulatory purposes."¹² In doing so, the Commission noted that "Part 32 USOA data are the underlying raw data used in the Cost Assignment Rules ...".¹³ CenturyLink proposes a five-part plan for how it will continue to comply with the remaining Part 32 Uniform System of Accounts rules and

¹¹ 47 U.S.C. § 254(k).

¹² *USTelecom Forbearance Order*, 28 FCC Rcd at 7651 ¶ 43 (footnote omitted).

¹³ *Id.*

maintain its accounting procedures and data in a manner that will allow it to provide useable information on a timely basis in the unlikely event that the Commission determines in the future that it needs allocated accounting cost data to serve a regulatory purpose.

First, CenturyLink will continue to maintain USOA books of account for all of its regulated operating telephone companies that include account-specific investment, expense and revenue data for Part 32 accounts. Specifically, CenturyLink will continue to record ILEC investment, expense and revenue information into its general ledgers and other accounting records as necessary to create and maintain, on an ongoing basis, accounting data in conformance with the Part 32 account structure. All of these data will remain available for inspection by the Commission or reporting by CenturyLink to the Commission for regulatory purposes.¹⁴

Second, CenturyLink will maintain its most recent cost allocation results, including a calculation of corresponding ratios by USOA account for non-regulated, state, interstate, and each Part 69 rate element, using data from the calendar year immediately preceding the date CenturyLink's Compliance Plan is approved by the Bureau. If the Commission were to request this cost allocation information or attendant data in the future, CenturyLink would provide the information using these ratios, while reserving the right to update the ratios to track significant accounting or regulatory changes after CenturyLink's Compliance Plan is approved. In evaluating whether to undertake such an updating, CenturyLink would assess the reliability of existing ratios and the relative burden of an updating process.

Third, in the event the Commission appropriately seeks allocated cost information necessary for a federal regulatory purpose beyond data that can be derived from the preserved

¹⁴ CenturyLink reserves the right to limit this retention effort to comply with Company policies on record retention.

information described above, CenturyLink can perform special economic cost studies to respond to such a request. CenturyLink will perform such a study to the extent it is not unreasonably burdensome.

Fourth, CenturyLink will retain sufficient data and documentation of its present accounting methods and procedures that are used to allocate costs. This includes CenturyLink's training materials, guidelines, and system documentation used to allocate costs as of the date of approval of this Plan. Such materials will be assembled and maintained by individuals who are familiar with cost allocation subject matter. CenturyLink will further maintain in an electronic medium systems, spreadsheets, and software necessary for cost assignments.

Finally, with respect to affiliate transactions specifically, 47 C.F.R. § 32.27, going forward CenturyLink will record and price such transactions in accordance with Generally Accepted Accounting Principles ("GAAP") or appropriate accounting standards that may modify or replace GAAP in the future. CenturyLink will also retain sufficient data and documentation of its present accounting methods and procedures used for affiliate transactions. This includes necessary training materials, guidelines, and system documentation existing as of the date of approval of this Plan. Such materials will be assembled and maintained by individuals who are familiar with affiliate transaction subject matter.

III. ANNUAL CERTIFICATION AND COMPLIANCE WITH SECTION 254(k)

The *USTelecom Forbearance Order* also conditions its cost assignment forbearance upon a requirement that price cap carriers "certify, on an annual basis, that they have complied with section 254(k) of the Act, and will maintain and provide any requested cost accounting

information necessary to prove such compliance in the event of an administrative action, investigation, or audit.”¹⁵

As required, CenturyLink’s first annual certification attesting to its compliance with section 254(k) of the Act in the absence of cost assignment rules is attached to this Compliance Plan. This certification is signed by Jerry M. Allen, Vice President - Revenues, who also attests that CenturyLink will provide information to the Commission necessary to establish section 254(k) compliance upon an appropriate request.

The Commission has already determined that an annual certification is a suitable indicator of compliance for some carriers.¹⁶ As such, the attached certification itself largely satisfies CenturyLink’s obligations under section 254(k) and the conditions of forbearance in the *USTelecom Forbearance Order*. Section 254(k) provides that “[a] telecommunications carrier may not use services that are not competitive to subsidize services that are subject to competition.”¹⁷ The Commission has previously indicated that this requirement is intended to prevent ILECs from gaining an unfair advantage in markets for services that are competitive by assigning excessive costs to non-competitive services.¹⁸

As an initial matter, it should be noted that it is difficult to identify an ILEC service today that is not subject to competition. More importantly, the Commission’s price cap regime eliminates any incentive to assign excessive costs to non-competitive services since price caps

¹⁵ *USTelecom Forbearance Order*, 28 FCC Rcd at 7652 ¶ 45 (footnote omitted).

¹⁶ *See* 47 C.F.R. § 64.905.

¹⁷ *See* 47 U.S.C. § 254(k).

¹⁸ *In the Matter of Implementation of Section 254(k) of the Communications Act of 1934*, Order, 12 FCC Rcd 6415 (1997).

“sever[ed] the direct link between regulated costs and prices” long ago.¹⁹ And, of course, the Order determined that CenturyLink met the requirements for forbearance from the Commission’s Cost Assignment Rules, including the affiliate transaction rules, and thus found that continued compliance with those regulatory requirements was not necessary to ensure CenturyLink’s continued compliance with § 254(k). Thus, CenturyLink has nothing to gain by shifting excessive costs to allegedly non-competitive services from either a market or regulatory perspective. Nonetheless, CenturyLink will continue to comply with its section 254(k) obligations and will not allocate excessive costs to non-competitive services as verified by Mr. Allen’s attached certification. Furthermore, the Commission remains free to investigate the veracity of CenturyLink’s certification.²⁰ In addition, as of the date of approval of this Compliance Plan, CenturyLink will designate a single point of contact to ensure that appropriate CenturyLink employees are aware of and adhere to CenturyLink’s obligations under section 254(k).

IV. FORBEARANCE TRANSITION

CenturyLink intends to implement the forbearance relief granted in the *USTelecom Forbearance Order* as soon as possible. The relief granted by this Order will help CenturyLink move toward accounting systems that are more in keeping with those used by other competitive businesses.

To that end, CenturyLink has already reviewed all of its accounting systems and cost assignment processes in light of forbearance from the cost assignment rules. CenturyLink has

¹⁹ *USTelecom Forbearance Order*, 28 FCC Rcd at 7649 ¶ 37 (stating “that, ‘because price cap regulation severs the direct link between regulated costs and prices, a carrier is not able automatically to recoup misallocated non-regulated costs by raising basic service rates,’ thus reducing incentives to shift non-regulated costs to regulated services.”)(citing the *Wireline Broadband Order*, 20 FCC Rcd at 14925-26 ¶ 133.).

²⁰ See, e.g., 47 U.S.C. § 220(c).

also reviewed and evaluated the *USTelecom Forbearance Order* with its subject matter experts and expects to begin implementing most relief immediately upon the Bureau's approval of this Compliance Plan. Forbearance will allow CenturyLink, in many cases, to stop performing activities that have no place in today's competitive communications market under the Commission's price cap regime.

With respect to the preservation of accounting materials and data for future use by the Commission, CenturyLink's subject matter experts from its finance, legal, compliance, and information technology groups will implement the measures described above upon approval of this Plan.

Except as otherwise described in this Plan or required by state law, CenturyLink will:

(a) no longer prepare cost allocation results under forbore rule sections 32.23 and 32.5280 and Parts 36, 64, and 69 of the Commission's rules and will not perform attendant studies used to determine allocation ratios immediately upon the Bureau's approval of CenturyLink's Compliance Plan; and (b) begin the transition away from the Commission's affiliate transaction rules under forbore rule section 32.27 in favor of GAAP (or its successor) accounting for such transactions immediately upon approval of this Plan.

Assuming timely evaluation and approval of this Compliance Plan, CenturyLink generally expects to implement the forbearance relief from the *USTelecom Forbearance Order* before the end of the first quarter of 2014 at the latest.

V. CONCLUSION

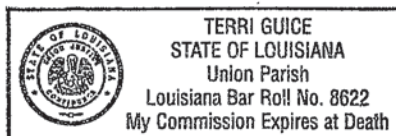
CenturyLink's foregoing Compliance Plan satisfies the conditions that the Commission established in the *USTelecom Forbearance Order*. CenturyLink requests that the Bureau approve this Plan at the earliest possible date.

SECTION 254(k) CERTIFICATION

I certify to the best of my knowledge, information, and belief, that CenturyLink's Independent LECs will comply with their obligations under section 254(k) of the Communications Act of 1934, as amended, and CenturyLink will maintain and provide to the FCC any cost accounting information necessary to establish such compliance if appropriately requested to provide such information.

Jerry M Allen
Jerry M. Allen
Vice President – Revenues

Subscribed and sworn to me, a notary public in and for the State of Louisiana
and the Parish of Union, on this 20th day of November, 2013.
My commission expires on my death, 20 .



Terri Guice
Notary Public
#8622